

**CITY OF WILLISTON
WILLISTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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CITY OF WILLISTON
OFFICIAL DIRECTORY (UNAUDITED)
AS OF DECEMBER 31, 2016

<u>Names</u>	<u>Office</u>
Howard Klug	President
Brad D. Bekkedahl	Vice President
Tate Cymbaluk	City Commissioner
Deanette Piesik	City Commissioner
Chris Brostuen	City Commissioner
John Kautzman	City Auditor
David Tuan	City Administrator



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Commission
City of Williston
Williston, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williston, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and qualified audit opinions.

Basis for Qualified Opinions on the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Aggregate Remaining Fund Information

The City has not recorded capital assets and related depreciation for infrastructure contributed to the City from developers. Accounting principles generally accepted in the United States of America require that the City record contributed capital for infrastructure contributed from third parties. The amount by which this departure would affect the assets, net position, revenues and expenses of the governmental activities, business-type activities, water fund, sewer fund, and aggregate remaining fund information has not been determined.

Qualified Opinions on the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Aggregate Remaining Fund Information

In our opinion, except for the effects of the matter as described in the “Basis for Qualified Opinions on the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Aggregate Remaining Fund Information” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Aggregate Remaining Fund Information of the City of Williston as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Sales Tax, Municipal Highway, Capital Project fund, 2014B Refunding Bond, and the 2016 Refunding Bond fund of the City of Williston, as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Sales Tax Fund and Municipal Highway Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of City’s contribution to NDPERS retirement fund, and schedule of City’s and non-employer proportionate share of the net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial

statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Williston's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017 on our consideration of the City of Williston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Williston's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 27, 2017

CITY OF WILLISTON
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 65,529,688	\$ 6,398,197	\$ 71,927,885
Accounts Receivable (Net)	713,412	3,113,269	3,826,681
Current Portion of Receivable from WAWSA	-	1,411,250	1,411,250
Intergovernmental Receivable, Net	15,908,818	-	15,908,818
Taxes Receivable	685,682	-	685,682
Special Assessments Receivable	46,639,504	-	46,639,504
Internal Balances	1,000,000	(1,000,000)	-
Inventory	-	497,984	497,984
Total Current Assets	<u>130,477,104</u>	<u>10,420,700</u>	<u>140,897,804</u>
Restricted Cash and Cash Equivalents	31,956,026	7,800,853	39,756,879
Receivable from WAWSA - Net of Current Portion	-	11,280,000	11,280,000
Other Assets	1,725,000	-	1,725,000
Cost Shared Infrastructure, Net	-	4,858,854	4,858,854
Capital Assets not being Depreciated:			
Land	13,149,546	457,470	13,607,016
Construction in Progress	75,005,790	131,921,540	206,927,330
Capital Assets (Net of Accumulated Depreciation)			
Buildings	15,336,376	89,106,989	104,443,365
Improvements other than Buildings	113,820,568	99,090,343	212,910,911
Equipment	8,590,226	4,125,352	12,715,578
Total Capital Assets (Net of Accumulated Depreciation)	<u>225,902,506</u>	<u>324,701,694</u>	<u>550,604,200</u>
Total Non-Current Assets	<u>259,583,532</u>	<u>348,641,401</u>	<u>608,224,933</u>
Total Assets	<u>390,060,636</u>	<u>359,062,101</u>	<u>749,122,737</u>
DEFERRED OUTFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan	4,974,106	1,142,489	6,116,595
Cost Shared Infrastructure	-	232,975	232,975
Total Deferred Outflows of Resources	<u>4,974,106</u>	<u>1,375,464</u>	<u>6,349,570</u>
LIABILITIES			
Accounts Payable	8,174,083	244,387	8,418,470
Escrow Payable	77,000	-	77,000
Retainage Payable	5,759,280	-	5,759,280
Salaries and Benefits Payable	991,703	165,295	1,156,998
Deposits Payable	-	56,989	56,989
Grant Payable	57,500	-	57,500
Accrued Interest Payable	1,202,602	694,060	1,896,662
Long-Term Liabilities Due Within One Year	12,500,000	5,018,257	17,518,257
Current Portion of Liability for Cost Shared Infrastructure	-	174,926	174,926
Noncurrent Liabilities:			
General Obligation Bonds Payable	495,000	-	495,000
Revenue Bonds Payable	70,205,000	104,630,372	174,835,372
Special Assessment Bonds Payable	55,890,000	-	55,890,000
Bond Discounts	(451,984)	-	(451,984)
Bond Premiums	2,921,704	-	2,921,704
Cost Shared Infrastructure	-	4,980,226	4,980,226
Landfill Closure Costs	-	547,350	547,350
Net Pension Liability	10,108,861	2,343,800	12,452,661
Compensated Absences Payable	1,367,100	323,877	1,690,977
Less Amounts Due within One Year	<u>(12,500,000)</u>	<u>(5,193,183)</u>	<u>(17,693,183)</u>
Total Liabilities	<u>156,797,849</u>	<u>113,986,356</u>	<u>270,784,205</u>
DEFERRED INFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan	805,771	138,142	943,913
Deferred Inflows - Western Area Water Supply Authority	-	73,208,596	73,208,596
Total Deferred Inflows of Resources	<u>805,771</u>	<u>73,346,738</u>	<u>74,152,509</u>
NET POSITION			
Net Investment in Capital Assets	152,732,786	146,862,726	299,595,512
Restricted for:			
Urban and Economic Development	18,531,891	-	18,531,891
General Government	242,481	-	242,481
Culture and Recreation	867,229	-	867,229
Public Works	335,628	-	335,628
Airport	1,054,441	-	1,054,441
Public Safety	7,392,799	-	7,392,799
Health and Welfare	521,986	-	521,986
Capital Projects	3,887,239	-	3,887,239
Debt Service	70,253,208	7,800,853	78,054,061
Unrestricted	<u>(18,388,566)</u>	<u>18,440,892</u>	<u>52,326</u>
Total Net Position	<u>\$ 237,431,122</u>	<u>\$ 173,104,471</u>	<u>\$ 410,535,593</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 12,764,840	\$ 3,081,246	\$ 540,277	\$ -	\$ (9,143,317)	\$ -	\$ (9,143,317)
Public Safety	12,925,074	2,388,715	450	-	(10,535,909)	-	(10,535,909)
Public Works	12,711,951	17,558	864,309	28,144,317	16,314,233	-	16,314,233
Health and Welfare	679,050	722,327	-	-	43,277	-	43,277
Culture and Recreation	7,585,232	166,916	14,923	-	(7,403,393)	-	(7,403,393)
Economic Development	1,495,046	-	242,391	-	(1,252,655)	-	(1,252,655)
Airport	2,534,631	1,715,898	28,662	9,553,516	8,763,445	-	8,763,445
Interest and Fees	4,531,476	-	-	-	(4,531,476)	-	(4,531,476)
Total Governmental Activities	<u>55,227,300</u>	<u>8,092,660</u>	<u>1,691,012</u>	<u>37,697,833</u>	<u>(7,745,795)</u>	<u>-</u>	<u>(7,745,795)</u>
Business-type Activities:							
Water	11,493,765	10,473,674	-	744,461	-	(275,630)	(275,630)
Sewer	4,580,845	1,143,658	-	-	-	(3,437,187)	(3,437,187)
Landfill	1,356,151	2,509,988	-	-	-	1,153,837	1,153,837
Refuse	2,617,510	2,443,239	-	-	-	(174,271)	(174,271)
Total Business-type Activities	<u>20,048,271</u>	<u>16,570,559</u>	<u>-</u>	<u>744,461</u>	<u>-</u>	<u>(2,733,251)</u>	<u>(2,733,251)</u>
Total Primary Government	<u>\$ 75,275,571</u>	<u>\$ 24,663,219</u>	<u>\$ 1,691,012</u>	<u>\$ 38,442,294</u>			
General Revenues:							
Property Taxes							
Property Taxes, Levied for General Purposes					39,224,958	-	39,224,958
Property Taxes, Levied for Special Purposes					5,545,398	-	5,545,398
City Sales Tax					22,839,549	-	22,839,549
Cable Franchise Tax					303,114	-	303,114
Unrestricted State Aid					1,576,712	-	1,576,712
Interest					72,305	175	72,480
Oil and Gas Royalties					2,715	28,275	30,990
Refunds and Reimbursements					780,654	-	780,654
Miscellaneous Revenue					314,583	-	314,583
Gain on Sale of Capital Asset					79,338	16,200	95,538
Transfers					(23,954,417)	23,954,417	-
Total General Revenues and Transfers					<u>46,784,909</u>	<u>23,999,067</u>	<u>70,783,976</u>
Change in Net Position					39,039,114	21,265,816	60,304,930
Net Position - Beginning					<u>198,392,008</u>	<u>151,838,655</u>	<u>350,230,663</u>
Net Position - Ending					<u>\$ 237,431,122</u>	<u>\$ 173,104,471</u>	<u>\$ 410,535,593</u>

See Notes to the Financial Statements

CITY OF WILLISTON
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2016

	General	Sales Tax	Municipal Highway	Capital Projects Fund	2014B Refunding Bond	2016 Refunding Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 21,494,532	\$ 4,399,223	\$ -	\$ -	\$ 13,532,087	\$ -	\$ 26,103,846	\$ 65,529,688
Accounts receivable, net	346,707	-	-	111,355	-	-	255,350	713,412
Intergovernmental receivable, net	3,332,161	1,115,596	389,886	10,343,793	-	-	727,382	15,908,818
Taxes receivable	454,069	-	-	-	-	-	231,613	685,682
Special assessments receivable	41,904	-	-	56,547	13,022,171	15,044,575	18,474,307	46,639,504
Due from other funds	14,249,490	-	-	-	-	-	-	14,249,490
Interfund loans receivable	-	-	-	-	-	-	226,393	226,393
Restricted cash and investments	150,000	7,478,330	-	24,327,696	-	-	-	31,956,026
Other assets	-	-	-	-	-	-	1,725,000	1,725,000
Total Assets	\$ 40,068,863	\$ 12,993,149	\$ 389,886	\$ 34,839,391	\$ 26,554,258	\$ 15,044,575	\$ 47,743,891	\$ 177,634,013
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 942,248	\$ 1,500	\$ 41,393	\$ 7,007,069	\$ -	\$ -	\$ 181,873	\$ 8,174,083
Escrow payable	77,000	-	-	-	-	-	-	77,000
Retainage payable	-	-	-	5,759,280	-	-	-	5,759,280
Salaries and benefits payable	785,076	-	-	-	-	-	206,627	991,703
Due to other funds	-	-	11,772,926	-	-	359,357	1,117,207	13,249,490
Interfund loans payable	226,393	-	-	-	-	-	-	226,393
Grant payable	-	-	-	-	-	-	57,500	57,500
Total Liabilities	2,030,717	1,500	11,814,319	12,766,349	-	359,357	1,563,207	28,535,449
Deferred Inflows of Resources								
Unavailable revenue - property taxes	454,069	-	-	-	-	-	231,613	685,682
Unavailable revenue - special assessments	27,474	-	-	32,257	12,671,861	15,044,575	17,134,645	44,910,812
Total Deferred Inflows of Resources:	481,543	-	-	32,257	12,671,861	15,044,575	17,366,258	45,596,494
FUND BALANCES								
Restricted	1,976,091	12,991,649	-	22,040,785	13,882,397	-	29,728,075	80,618,997
Unassigned	35,580,512	-	(11,424,433)	-	-	(359,357)	(913,649)	22,883,073
Total Fund Balances	37,556,603	12,991,649	(11,424,433)	22,040,785	13,882,397	(359,357)	28,814,426	103,502,070
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 40,068,863	\$ 12,993,149	\$ 389,886	\$ 34,839,391	\$ 26,554,258	\$ 15,044,575	\$ 47,743,891	\$ 177,634,013

See Notes to the Financial Statements

CITY OF WILLISTON
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

Total Governmental Funds Balances \$ 103,502,070

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and, therefore, not reported in the governmental funds.

Capital Assets	\$ 266,189,673	
Accumulated Depreciation	<u>(40,287,167)</u>	225,902,506

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.

Property taxes	685,682	
Special assessments	<u>44,910,812</u>	45,596,494

Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds. 4,168,334

Long-term liabilities not due and payable in the current period and, therefore, are not included in the governmental funds:

General obligation bonds payable	(495,000)	
Revenue bonds payable	(70,205,000)	
Special assessment bonds payable	(55,890,000)	
Bond premiums	(2,921,704)	
Bond discounts	451,984	
Interest payable	(1,202,602)	
Net Pension Liability	(10,108,861)	
Compensated absences	<u>(1,367,100)</u>	<u>(141,738,283)</u>

Net Position of Governmental Activities \$ 237,431,121

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Sales Tax	Municipal Highway	Capital Projects Fund	2014B Refunding Bond Fund	2016 Refunding Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES								
Taxes	\$ 40,154,595	\$ 14,570,354	\$ -	\$ -	\$ -	\$ -	\$ 13,188,070	\$ 67,913,019
Special assessments	12,941	-	-	36,060	1,128,927	-	2,583,505	3,761,433
Licenses, permits and fees	716,472	-	-	-	-	-	-	716,472
Intergovernmental	2,273,607	-	1,097,157	20,182,082	-	-	339,443	23,892,289
Intragovernmental	1,026,236	-	-	-	-	-	-	1,026,236
Charges for services	1,744,198	-	-	-	-	-	3,496,183	5,240,381
Fines, forfeitures and penalties	1,096,074	-	-	-	-	-	13,496	1,109,570
Interest	15,785	8,094	-	26,393	1,927	-	20,108	72,307
Oil and gas royalties	2,715	-	-	-	-	-	-	2,715
Refunds and reimbursements	402,345	-	-	65,665	-	-	312,643	780,653
Miscellaneous	260,542	-	-	60	-	-	53,981	314,583
Total Revenues	<u>47,705,510</u>	<u>14,578,448</u>	<u>1,097,157</u>	<u>20,310,260</u>	<u>1,130,854</u>	<u>-</u>	<u>20,007,429</u>	<u>104,829,658</u>
EXPENDITURES								
Current:								
General government	7,499,880	-	564,517	390	-	-	3,179,194	11,243,981
Public safety	7,445,156	-	-	30,624	-	-	4,398,428	11,874,208
Public works	5,816,434	-	78,326	2,705,481	-	-	-	8,600,241
Health and welfare	-	-	-	-	-	-	679,050	679,050
Culture and recreation	-	6,944,391	-	-	-	-	571,025	7,515,416
Economic development	413,336	-	-	-	-	-	1,081,710	1,495,046
Airport	1,496,521	-	-	-	-	-	-	1,496,521
Capital Outlay	3,234,073	-	429,283	98,092,251	-	-	800,979	102,556,586
Debt Service:								
Principal retirement	935,000	-	-	-	800,000	-	16,955,000	18,690,000
Interest and fees	54,342	1,500	-	300,953	478,349	445,721	3,678,929	4,959,794
Total Expenditures	<u>26,894,742</u>	<u>6,945,891</u>	<u>1,072,126</u>	<u>101,129,699</u>	<u>1,278,349</u>	<u>445,721</u>	<u>31,344,315</u>	<u>169,110,843</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>20,810,768</u>	<u>7,632,557</u>	<u>25,031</u>	<u>(80,819,439)</u>	<u>(147,495)</u>	<u>(445,721)</u>	<u>(11,336,886)</u>	<u>(64,281,185)</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Sales Tax	Municipal Highway	Capital Projects Fund	2014B Refunding Bond Fund	2016 Refunding Bond	Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)								
Sale of assets	12,500	-	-	20,000	-	-	46,838	79,338
Debt issued	-	-	-	20,185,000	-	-	-	20,185,000
Bond premiums (discounts)	-	-	-	(91,656)	-	-	-	(91,656)
Transfers in	4,144,178	871	204,806	50,342,655	8,430,619	86,364	30,484,159	93,693,652
Transfers out	<u>(14,708,663)</u>	<u>(12,330,175)</u>	<u>(5,018,367)</u>	<u>(36,341,097)</u>	-	-	<u>(10,530,067)</u>	<u>(78,928,369)</u>
Total other financing sources and uses	<u>(10,551,985)</u>	<u>(12,329,304)</u>	<u>(4,813,561)</u>	<u>34,114,902</u>	<u>8,430,619</u>	<u>86,364</u>	<u>20,000,930</u>	<u>34,937,965</u>
Net Change in Fund Balances	<u>10,258,783</u>	<u>(4,696,747)</u>	<u>(4,788,530)</u>	<u>(46,704,537)</u>	<u>8,283,124</u>	<u>(359,357)</u>	<u>8,664,044</u>	<u>(29,343,220)</u>
Fund Balances - Beginning	<u>27,297,820</u>	<u>17,688,396</u>	<u>(6,635,903)</u>	<u>68,745,322</u>	<u>5,599,273</u>	-	<u>20,150,382</u>	<u>132,845,290</u>
Fund Balances - Ending	<u>\$ 37,556,603</u>	<u>\$ 12,991,649</u>	<u>\$ (11,424,433)</u>	<u>\$ 22,040,785</u>	<u>\$ 13,882,397</u>	<u>\$ (359,357)</u>	<u>\$ 28,814,426</u>	<u>\$ 103,502,070</u>

See Notes to the Financial Statements

CITY OF WILLISTON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ (29,343,220)

Amounts reported for governmental activities in the statement of activities are different because:

Capital Outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Capital Outlays	62,415,879
Depreciation Expense	(5,154,608)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Property Taxes	255,769
Special Assessments	13,056,066

Proceeds from long-term debt provides financial resources to the governmental funds but the issuance increases long-term liabilities in the statement of net position.

(20,185,000)

Discounts from long-term debt provide financial resources to the governmental funds but the issuance increases long-term liabilities in the statement of net position.

91,656

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

18,690,000

Payment of the Net Pension Liability is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.

(4,123,561)

Changes in deferred outflows and inflows of resources related to the net pension liability.

3,188,148

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued Vacation Payable	(280,334)
Interest	428,318

Changes in Net Position \$ 39,039,113

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Property taxes	\$ 40,458,738	\$ 39,233,674	\$ (1,225,064)
Special assessments	-	12,941	12,941
Licenses, permits and fees	1,443,000	714,022	(728,978)
Intergovernmental	2,762,000	2,244,945	(517,055)
Intragovernmental	1,223,000	1,026,236	(196,764)
Charges for services	160,900	-	(160,900)
Fines, forfeitures and penalties	1,528,500	1,061,285	(467,215)
Interest	10,000	14,974	4,974
Refunds and reimbursements	200,000	297,871	97,871
Miscellaneous	385,090	226,681	(158,409)
Total Revenues	<u>48,171,228</u>	<u>44,832,629</u>	<u>(3,338,599)</u>
EXPENDITURES			
Current:			
General government	5,920,487	5,989,690	(69,203)
Public safety	8,245,410	7,394,195	851,215
Public works	7,315,268	5,180,596	2,134,672
Economic development	531,264	413,336	117,928
Capital Outlay	24,032,500	2,982,978	21,049,522
Debt Service:			
Interest and fees	<u>40,543</u>	<u>14,193</u>	<u>26,350</u>
Total Expenditures	<u>46,085,472</u>	<u>21,974,988</u>	<u>24,110,484</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,085,756</u>	<u>22,857,641</u>	<u>20,771,885</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	5,000	12,500	7,500
Transfers in	3,021,378	1,715,756	(1,305,622)
Transfers out	<u>-</u>	<u>(13,394,681)</u>	<u>(13,394,681)</u>
Total Other Financing Sources and Uses	<u>3,026,378</u>	<u>(11,666,425)</u>	<u>(14,692,803)</u>
Net Change in Fund Balances	5,112,134	11,191,216	6,079,082
Fund Balances - Beginning	<u>24,445,115</u>	<u>24,445,115</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 29,557,249</u>	<u>\$ 35,636,331</u>	<u>\$ 6,079,082</u>
General Fund in Addition to Fund 100:			
General fund		\$ 35,636,331	
Planning study		(55,819)	
Park authority		335,628	
City building		379,923	
Insurance reserve		227,964	
Airport		1,032,576	
Total General Fund		<u>\$ 37,556,603</u>	

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
REVENUES			
Sales taxes	\$ 29,750,000	\$ 14,570,354	\$ (15,179,646)
Interest	<u>-</u>	<u>8,094</u>	<u>8,094</u>
Total Revenues	<u>29,750,000</u>	<u>14,578,448</u>	<u>(15,171,552)</u>
EXPENDITURES			
Current:			
Culture and recreation	14,000,000	6,944,391	7,055,609
Debt Service:			
Interest and fees	<u>-</u>	<u>1,500</u>	<u>(1,500)</u>
Total Expenditures	<u>14,000,000</u>	<u>6,945,891</u>	<u>7,054,109</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,750,000</u>	<u>7,632,557</u>	<u>(8,117,443)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	871	(871)
Transfers out	<u>(10,500,000)</u>	<u>(12,330,175)</u>	<u>(1,830,175)</u>
Total Other Financing Sources and Uses	<u>(10,500,000)</u>	<u>(12,329,304)</u>	<u>1,829,304</u>
Net Change in Fund Balances	<u>5,250,000</u>	<u>(4,696,747)</u>	<u>(9,946,747)</u>
Fund Balances - Beginning	<u>17,688,396</u>	<u>17,688,396</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 22,938,396</u>	<u>\$ 12,991,649</u>	<u>\$ (9,946,747)</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – MUNICIPAL HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original and Final <u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ 1,085,000	\$ 1,097,157	\$ 12,157
Total Revenues	<u>1,085,000</u>	<u>1,097,157</u>	<u>12,157</u>
EXPENDITURES			
Current:			
General government	500,000	564,517	(64,517)
Public works	500,000	78,326	421,674
Capital Outlay	<u>65,000,000</u>	<u>429,283</u>	<u>64,570,717</u>
Total Expenditures	<u>66,000,000</u>	<u>1,072,126</u>	<u>64,927,874</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(64,915,000)</u>	<u>25,031</u>	<u>64,940,031</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	204,806	(204,806)
Transfers out	<u>-</u>	<u>(5,018,367)</u>	<u>(5,018,367)</u>
Total Other Financing Sources and Uses	<u>-</u>	<u>(4,813,561)</u>	<u>(4,813,561)</u>
Net Change in Fund Balances	<u>(64,915,000)</u>	<u>(4,788,530)</u>	<u>60,126,470</u>
Fund Balances - Beginning	<u>(6,635,903)</u>	<u>(6,635,903)</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (71,550,903)</u>	<u>\$ (11,424,433)</u>	<u>\$ 60,126,470</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-Major	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 134,858	\$ -	\$ 6,263,339	\$ 6,398,197
Accounts receivable (net)	2,248,874	115,447	748,948	3,113,269
Due from other funds	-	-	1,132,242	1,132,242
Current portion of receivable from WAWSA	1,411,250	-	-	1,411,250
Inventory	482,774	15,210	-	497,984
Total Current Assets	<u>4,277,756</u>	<u>130,657</u>	<u>8,144,529</u>	<u>12,552,942</u>
Non-Current Assets:				
Restricted cash and cash equivalents	1,629,375	5,566,128	605,350	7,800,853
Receivable from WAWSA - net of current portion	11,280,000	-	-	11,280,000
Cost Shared Infrastructure	4,858,854	-	-	4,858,854
Capital assets:				
Land	377,956	-	79,514	457,470
Construction in Progress	8,777,065	120,093,948	3,050,527	131,921,540
Capital assets (net of accumulated depreciation):				
Buildings	77,898,303	8,668,686	2,540,000	89,106,989
Improvements other than buildings	50,627,184	47,236,785	1,226,374	99,090,343
Equipment	492,020	809,036	2,824,296	4,125,352
Total Non-Current Assets	<u>155,940,757</u>	<u>182,374,583</u>	<u>10,326,061</u>	<u>348,641,401</u>
Total Assets	<u>160,218,513</u>	<u>182,505,240</u>	<u>18,470,590</u>	<u>361,194,343</u>
DEFERRED OUTFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	598,446	163,213	380,830	1,142,489
Cost Shared Infrastructure	232,975	-	-	232,975
Total Deferred Outflows of Resources	<u>831,421</u>	<u>163,213</u>	<u>380,830</u>	<u>1,375,464</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	108,933	46,680	88,774	244,387
Salaries and benefits payable	76,266	27,358	61,671	165,295
Deposits payable	56,957	32	-	56,989
Due to other funds	1,000,000	1,132,242	-	2,132,242
Accrued interest payable	105,165	588,474	421	694,060
Revenue bonds payable	1,305,000	3,485,957	50,000	4,840,957
Current portion of liability on cost shared infrastructure	174,926	-	-	174,926
Compensated absences	90,500	33,500	53,300	177,300
Total Current Liabilities	<u>2,917,747</u>	<u>5,314,243</u>	<u>254,166</u>	<u>8,486,156</u>
Non-Current Liabilities:				
Revenue bonds payable	11,280,000	88,509,415	-	99,789,415
Liability for cost shared infrastructure	4,805,300	-	-	4,805,300
Net pension liability	1,227,704	334,829	781,267	2,343,800
Accrued closure and postclosure liability	-	-	547,350	547,350
Compensated absences	73,554	12,885	60,138	146,577
Total Non-Current Liabilities	<u>17,386,558</u>	<u>88,857,129</u>	<u>1,388,755</u>	<u>107,632,442</u>
Total Liabilities	<u>20,304,305</u>	<u>94,171,372</u>	<u>1,642,921</u>	<u>116,118,598</u>
DEFERRED INFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	72,360	19,734	46,048	138,142
Deferred Inflows - Western Area Water Supply Authority	73,208,596	-	-	73,208,596
Total Deferred Inflows of Resources	<u>73,280,956</u>	<u>19,734</u>	<u>46,048</u>	<u>73,346,738</u>
NET POSITION				
Net Investment in Capital Assets	52,378,932	84,813,083	9,670,711	146,862,726
Restricted	1,629,375	5,566,128	605,350	7,800,853
Unrestricted	13,456,366	(1,901,864)	6,886,390	18,440,892
Total Net Position	<u>\$ 67,464,673</u>	<u>\$ 88,477,347</u>	<u>\$ 17,162,451</u>	<u>\$ 173,104,471</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			Totals Current Year
	Water	Sewer	Non-Major	
OPERATING REVENUES:				
Charges for service	\$ 10,499,106	\$ 1,137,526	\$ 4,969,258	\$ 16,605,890
Miscellaneous	<u>(25,432)</u>	<u>6,132</u>	<u>(16,031)</u>	<u>(35,331)</u>
Total Operating Revenues	<u>10,473,674</u>	<u>1,143,658</u>	<u>4,953,227</u>	<u>16,570,559</u>
OPERATING EXPENSES:				
Salaries and benefits	2,244,211	874,967	1,739,797	4,858,975
Materials and supplies	5,124,251	488,827	819,721	6,432,799
Contractual services	697,000	38,894	76,627	812,521
Depreciation	2,683,525	1,086,055	1,296,651	5,066,231
Amortization	167,546	-	-	167,546
Miscellaneous	<u>56,041</u>	<u>1,214</u>	<u>5,281</u>	<u>62,536</u>
Total Operating Expenses	<u>10,972,574</u>	<u>2,489,957</u>	<u>3,938,077</u>	<u>17,400,608</u>
Operating Income (Loss)	<u>(498,900)</u>	<u>(1,346,299)</u>	<u>1,015,150</u>	<u>(830,049)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	-	-	175	175
Oil and Gas Royalties	28,275	-	-	28,275
Interest and service charges	(521,191)	(2,090,888)	(35,584)	(2,647,663)
Amortization of WAWSA deferred inflows	744,461	-	-	744,461
Gain on sale of capital asset	<u>-</u>	<u>-</u>	<u>16,200</u>	<u>16,200</u>
Total Non-Operating Revenues (Expenses)	<u>251,545</u>	<u>(2,090,888)</u>	<u>(19,209)</u>	<u>(1,858,552)</u>
Income (Loss) before contributions and transfers	<u>(247,355)</u>	<u>(3,437,187)</u>	<u>995,941</u>	<u>(2,688,601)</u>
Capital contributions	8,387,434	28,609,379	1,722,890	38,719,703
Transfers in	213,030	9,295,561	71,005	9,579,596
Transfers out	<u>(2,554,960)</u>	<u>(19,218,046)</u>	<u>(2,571,876)</u>	<u>(24,344,882)</u>
Changes in Net Position	5,798,149	15,249,707	217,960	21,265,816
Total Net Position - Beginning	<u>61,666,524</u>	<u>73,227,640</u>	<u>16,944,491</u>	<u>151,838,655</u>
Total Net Position - Ending	<u>\$ 67,464,673</u>	<u>\$ 88,477,347</u>	<u>\$ 17,162,451</u>	<u>\$ 173,104,471</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-Major Funds	Totals Current Year
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 9,260,838	\$ 1,141,016	\$ 5,203,443	\$ 15,605,297
Payments to Suppliers	(6,274,578)	(533,098)	(971,862)	(7,779,538)
Payments to Employees	(2,072,758)	(825,598)	(1,623,183)	(4,521,539)
Other Operating Revenue	(25,432)	6,132	(16,031)	(35,331)
Net Cash Provided (Used) by Operating Activities	<u>888,070</u>	<u>(211,548)</u>	<u>2,592,367</u>	<u>3,268,889</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	213,030	9,295,561	71,005	9,579,596
Transfers Out	(2,554,960)	(19,218,046)	(2,571,876)	(24,344,882)
Due to/from other Funds	-	(1,614,809)	(1,132,242)	(2,747,051)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,341,930)</u>	<u>(11,537,294)</u>	<u>(3,633,113)</u>	<u>(17,512,337)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(50,023)	(186,926)	(577,461)	(814,410)
Payment on Cost Shared Infrastructure Liability	(46,174)	-	-	(46,174)
Prepayment on Cost Shared Infrastructure Liability	(232,975)	-	-	(232,975)
Proceeds from Sale of Capital Assets	-	-	16,200	16,200
Proceeds from Capital Debt	-	19,218,046	-	19,218,046
Principal Payments on Long-Term Debt	(2,321,250)	(4,475,000)	(398,750)	(7,195,000)
Reimbursement from WAWSA for Debt Payments	1,272,500	-	-	1,272,500
Proceeds from Oil and Gas Royalties	28,275	-	-	28,275
Interest and Fiscal Charges on Debt	(511,853)	(1,925,258)	(29,154)	(2,466,265)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,861,500)</u>	<u>12,630,862</u>	<u>(989,165)</u>	<u>9,780,197</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	-	-	175	175
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>175</u>	<u>175</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,315,360)	882,020	(2,029,736)	(4,463,076)
Cash and Cash Equivalents, January 1	<u>5,079,593</u>	<u>4,684,108</u>	<u>8,898,425</u>	<u>18,662,126</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,764,233</u>	<u>\$ 5,566,128</u>	<u>\$ 6,868,689</u>	<u>\$ 14,199,050</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (498,900)	\$ (1,346,299)	\$ 1,015,150	\$ (830,049)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	2,851,071	1,086,055	1,296,651	5,233,777
Changes in Assets and Liabilities:				
Accounts Receivable	(1,244,533)	3,458	234,185	(1,006,890)
Inventory	(176,492)	852	-	(175,640)
Deferred Pension Outflows	(374,922)	(102,251)	(238,587)	(715,760)
Accounts Payable	(220,794)	(5,015)	(77,068)	(302,877)
Deposits Payable	6,265	32	-	6,297
Salaries and Benefits Payable	23,800	5,271	8,941	38,012
Compensated Absences	5,827	5,418	17,420	28,665
Net Pension Liability	522,144	142,403	332,274	996,821
Deferred Pension Inflows	(5,396)	(1,472)	(3,434)	(10,302)
Closure/Post Closure Costs	-	-	6,835	6,835
Net Cash Provided (Used) by Operating Activities	<u>\$ 888,070</u>	<u>\$ (211,548)</u>	<u>\$ 2,592,367</u>	<u>\$ 3,268,889</u>
Noncash Investing, Capital, and Financing Activities				
Contribution of Capital Assets from Capital Project Funds	\$ 8,387,434	\$ 28,609,379	\$ 1,722,890	\$ 38,719,703

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS
AS OF DECEMBER 31, 2016

	<u>Total</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 15,752
Intergovernmental Receivable	<u>71,769</u>
Total Current Assets	<u>\$ 87,521</u>
LIABILITIES	
Current Liabilities:	
Due to Other Agencies	<u>\$ 87,521</u>
Total Liabilities	<u>\$ 87,521</u>

See Notes to the Financial Statements

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Williston, North Dakota operates under a limited Home Rule Charter. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the City of Williston. The City has considered all potential component units for which the City is financially accountable and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the City of Williston to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City of Williston.

Based on these criteria, there are no component units to be included within the City of Williston as a reporting entity.

Basis of Presentation

Government-Wide Statements – The statement of net position and the statement of activities display information about the primary government, the City of Williston. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the City's funds including its fiduciary funds. Separate statements for each fund category-governmental, proprietary and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – This is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Sales Tax Fund – This fund accounts for the financial resources of the City sales tax which is dedicated to city infrastructure replacement, city debt retirement and economic development.

Municipal Highway Fund – This fund accounts for the financial resources of the city highway projects.

Capital Projects Fund – This fund accounts for capital project activities of the City.

2014B Refunding Bond – This fund accounts for the repayment of special assessment debt.

2016 Refunding Bond – This fund accounts for the repayment of special assessment debt.

The City reports the following major enterprise funds:

Water Fund – This fund accounts for the activity of the Water Department. The department operates the water treatment plant and water distribution system in the City of Williston.

Sewer Fund – This fund accounts for the activities of the Sewer Department. This department operates the sewage treatment plant, sewage pumping stations and collection systems in the City of Williston.

Additionally, the City reports the following fund types:

Agency Funds – These funds account for assets by the City in a custodial capacity as an agent on behalf of others.

Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The city considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Special assessments, intergovernmental revenues, charges for services and investment income are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost reimbursement grant resources to such programs, and then to general revenues.

As a general rule, the City has eliminated the effect of interfund activity from the government-wide financial statements. Exceptions to this rule are when various charges exist between different functions of government (i.e. water and sewer charges to other various functions of the City). Elimination of these charges would distort direct costs and program revenues reported for the various functions concerned.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

The governing board adopts an annual budget on a basis consistent with GAAP for the general fund, each special revenue fund and each debt service fund of the municipality except as noted in the following paragraph.

For budgetary purposes, the City has established separate "special revenue funds" that do not meet the definition of special revenue funds as set forth in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Due to this, these funds are reported as part of the general fund for financial reporting purposes but are not included with the general fund for budgetary purposes. The budgeted and actual amounts presented in the budget to actual statement for the general fund do not include the City's separately established "special revenue funds" which results in a budgetary to GAAP reconciliation on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- On or before September 10th of the preceding fiscal year, the City prepares a preliminary budget for the next succeeding year beginning January 1st. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before October 7th, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10th.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid investments with an original maturity of three months or less.

Other Assets

Other assets consist of limited partnership interests in entities owning real estate. The investments in the limited partnership interests are stated at cost. Distributions received are recorded as income.

Intangible Assets

Intangible assets are recorded at historical cost less accumulated amortization. A portion of the intangible assets is charged against earnings each year as amortization expense. Amortization is computed on the straight-line basis, over the estimated useful life of the asset. The City entered into a service concession arrangement with neighboring water districts. Under GASB 60 – Service Concession Arrangements, the access and use payment plan associated with the agreement is capitalized at the present value. All intangible assets under the service concession arrangement are to be amortized over the remaining life of the agreement.

Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 1980 are reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

Capital assets are depreciated using the straight-line method of the following estimated useful lives:

Buildings	50 Years
Equipment	5-30 Years
Infrastructure	50 Years

Inventories

Inventories are valued at cost using the first in first out (FIFO) method. The costs of business fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The City has two items reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the North Dakota Employee Retirement System (NDPERS) pension plan as well as amounts paid to the plan after the measurement date, and cost shared infrastructure, which represents payments on the cost shared infrastructure liability in excess of the required balance due.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. The governmental funds report unavailable revenues from property taxes and special assessments. These amounts are unavailable and recognized as an inflow of resources in the period that the amounts become available. The City also has two items reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the NDPERS pension plan and *Western Area Water Supply Authority* which represents the deferred inflows that result from a service concession arrangement. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

Full-time non-fire department employees are granted vacation benefits from 1 to 1.75 days per month depending on tenure with the City. Fire department employees on 24.25 hour shifts earn 12-24 hours per month depending on the tenure with the City. Part-time employees working an established schedule of 20 or more hours per week are eligible for vacation benefits on a prorated basis. Full-time non-fire department employees can accrue up to a maximum of 30 days of vacation at year end. Fire department employees can accrue up to a maximum of 144 to 288 days of vacation at year end depending on tenure with the City. Upon termination of employment, full-time non-fire department employees will be paid for vacation benefits that have been accrued to a maximum of 30 days and fire department employees will be paid 144 to 288 days depending on tenure with the City.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

For full-time non-fire department employees, sick leave benefits accrue at the rate of 1 day per month. For fire department employees on 24.25-hour shifts, sick leave benefits accrue at the rate of 12 hours per month. Part-time employees working an established schedule of 20 or more hours per week are eligible for sick leave on a prorated basis. Unused sick leave benefits are allowed to accumulate to 60 days for all full-time employees except water treatment plant employees who are on 10 hour shifts who can accumulate 600 hours and full-time fire department employees who can accumulate 720 hours. Each year in January, employees are paid for one-half of accumulated sick leave in excess of the maximum carry over amount. Upon termination of employment or retirement, unused sick leave will be paid at a rate of 50% of the employee's regular pay rate for unused days.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Sales Tax Revenue

The City receives sales tax payments through the State for local purchases. The sales tax is subject to a refund cap which is performed at the state level. The sales tax refunds are not measurable by the City until the City is notified by the State as to the amount of the refunds and the refunds are recorded at that time. Proceeds of the sales tax payments are dedicated to property tax relief through debt reduction, to necessary infrastructure and to economic and community development.

Fund Balance

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by law through constitutional provisions or enabling legislation.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

Committed – consists of internally imposed constraints. These constraints are established by formal action of the City Commission. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City’s intended use. These constraints are established by the City Commission. The City Commission has delegated authority to assign fund balance to the City Auditor.

Unassigned – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the City’s policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the City’s policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and additions to/deductions from NDPERS fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 LEGAL COMPLIANCE

Budget Amendments

The City’s governing board did not amend the City budgets for the year ended December 31, 2016.

Fund Deficits

The following funds were in a deficit position at December 31, 2016:

Municipal Highway Fund	\$ 11,424,433
Social Security Fund	69,244
911 Communications	43,238
Community Development	75,392
Tax Increment #11	610,679
2015 Refunding	115,097
2016 Refunding Improvement Bonds	359,357
	<u>\$ 12,697,440</u>

The City will relieve the deficits with future sales tax, gas and oil tax, and special assessment collections, bond issuances or transfers from other funds.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

NOTE 3 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the City maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At December 31, 2016, the City's carrying amount of deposits was \$111,700,516 and the bank balance was \$117,027,352. The City's balances were fully collateralized as of December 31, 2016.

Credit Risk

The City may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
- (d) Obligations of the state.

As of December 31, 2016, the City's cash and cash equivalents include amounts in demand deposits, money market accounts, and highly liquid investments with an original maturity of three month or less.

NOTE 4 TAXES RECEIVABLE

The taxes receivable represents the past two years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable. As of December 31, 2016, all accounts are considered collectible.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

Property taxes are levied as of January 1st. The property taxes attach as an enforceable lien on property on January 1st. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1st and the second installment is due by October 15th. A 5% discount is allowed if all taxes and special assessments are paid by February 15th. After the due date, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15th and receive the 5% discount on the property taxes.

NOTE 5 RESTRICTED CASH AND CASH EQUIVALENTS

The City of Williston's grant/loan covenants require certain reservations of the City of Williston's net position. These amounts are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The restricted portions are as follows:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Sales Tax Fund	Debt Service	\$ 7,478,330
Capital Projects Fund	Unspent Bond Proceeds	24,327,696
General Fund	Airport Debt Service	150,000
Water Fund	Debt Service	1,629,375
Sewer Fund	Debt Service	5,566,128
Nonmajor Proprietary	Landfill Debt Service	58,000
Nonmajor Proprietary	Landfill Closure and Post-Closure Costs	547,350
		<u>\$ 39,756,879</u>

NOTE 6 ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts on open account from individuals for goods and services furnished by the City. The carrying amount of the accounts receivable is reduced by an amount that reflects management's best estimates of the amounts that will not be collected. The City had allowances for uncollectible accounts totaling \$1,230,033 for governmental activities accounts receivable and \$45,497 for business-type activities accounts receivable recorded at December 31, 2016.

NOTE 7 INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of reimbursements due from various governments for city sales tax, hospitality tax, grants and other aid.

NOTE 8 SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable consists of uncollected special assessments due to the City at December 31, 2016 and uncertified special assessments, which represents a long-term receivable in the financial statements. No allowance has been established for uncollectible special assessments. As of December 31, 2016, all accounts are considered collectible.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

NOTE 9 CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended December 31, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Non-Depreciable:				
Land	\$ 12,723,276	\$ 426,270	\$ -	\$ 13,149,546
Construction in progress	66,343,484	52,694,641	44,032,335	75,005,790
Total Non-Depreciable:	<u>79,066,760</u>	<u>53,120,911</u>	<u>44,032,335</u>	<u>88,155,336</u>
Capital Assets, Depreciable:				
Buildings	16,214,110	4,941,324	-	21,155,434
Improvements other than buildings	1,645,449	-	-	1,645,449
Equipment	18,863,072	3,248,090	111,397	21,999,765
Infrastructure	88,095,800	45,137,889	-	133,233,689
Total Capital Assets, being depreciated	<u>124,818,431</u>	<u>53,327,303</u>	<u>111,397</u>	<u>178,034,337</u>
Less Accumulated Depreciation for:				
Buildings	5,489,501	329,557		5,819,058
Improvements other than buildings	589,487	53,922	-	643,409
Equipment	10,891,649	2,629,287	111,397	13,409,539
Infrastructure	18,273,319	2,141,842	-	20,415,161
Total Accumulated Depreciation	<u>35,243,956</u>	<u>5,154,608</u>	<u>111,397</u>	<u>40,287,167</u>
Total capital assets being depreciated, net	<u>89,574,475</u>	<u>48,172,695</u>	<u>-</u>	<u>137,747,170</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 168,641,235</u>	<u>\$ 101,293,606</u>	<u>\$ 44,032,335</u>	<u>\$ 225,902,506</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Business-type Activities</u>				
Capital Assets, Non-Depreciable:				
Land	\$ 457,470	\$ -	\$ -	\$ 457,470
Construction in Progress	<u>140,132,049</u>	<u>31,418,014</u>	<u>39,628,523</u>	<u>131,921,540</u>
Total Non-Depreciable	<u>140,589,519</u>	<u>31,418,014</u>	<u>39,628,523</u>	<u>132,379,010</u>
Capital Assets, Depreciable:				
Buildings	98,960,448	2,329,899	-	101,290,347
Improvements other than buildings	68,993,625	46,947,128	-	115,940,753
Equipment	<u>12,435,501</u>	<u>942,601</u>	<u>479,870</u>	<u>12,898,232</u>
Total Capital Assets, being depreciated	<u>180,389,574</u>	<u>50,219,628</u>	<u>479,870</u>	<u>230,129,332</u>
Less Accumulated Depreciation for:				
Buildings	10,200,266	1,983,092	-	12,183,358
Improvements other than buildings	15,291,850	1,558,560	-	16,850,410
Equipment	<u>7,583,064</u>	<u>1,524,579</u>	<u>334,763</u>	<u>8,772,880</u>
Total Accumulated Depreciation	<u>33,075,180</u>	<u>5,066,231</u>	<u>334,763</u>	<u>37,806,648</u>
Total capital assets being depreciated, net	<u>147,314,394</u>	<u>45,153,397</u>	<u>145,107</u>	<u>192,322,684</u>
Total Business-type Activities Capital Assets, Net	<u>\$ 287,903,913</u>	<u>\$ 76,571,411</u>	<u>\$ 39,773,630</u>	<u>\$ 324,701,694</u>

Depreciation expense was charged to Governmental functions as follows:

General Government	\$ 221,957
Public Safety	1,134,023
Public Works	2,690,702
Culture and Recreation	69,816
Airport	<u>1,038,110</u>
Total Depreciation Expense	<u>\$ 5,154,608</u>

Depreciation expense was charged to Business Type functions as follows:

Water	\$ 2,683,525
Sewer	1,086,055
Landfill	468,902
Refuse	<u>827,749</u>
Total Depreciation Expense	<u>\$ 5,066,231</u>

As of December 31, 2016, the City had outstanding commitments of approximately \$37.0 million related to construction projects.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

NOTE 10 LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Balance 12/31/15	Debt Issued	Retirements 2016	Balance 12/31/16	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation	\$ 645,000	\$ -	\$ 150,000	\$ 495,000	\$ 155,000
Revenue Bonds	86,395,000	-	16,190,000	70,205,000	8,605,000
Bond Premiums	3,394,644	-	472,940	2,921,704	-
Bond Discounts	(402,274)	(91,656)	(41,946)	(451,984)	-
Compensated Absences	1,086,766	856,134	575,800	1,367,100	575,000
Special Assessment	<u>38,055,000</u>	<u>20,185,000</u>	<u>2,350,000</u>	<u>55,890,000</u>	<u>3,165,000</u>
Governmental Activities Long-Term Liabilities	<u>\$ 129,174,136</u>	<u>\$ 20,949,478</u>	<u>\$ 19,696,794</u>	<u>\$ 130,426,820</u>	<u>\$ 12,500,000</u>
<u>Business-Type Activities:</u>					
Revenue Bonds	\$ 92,607,325	\$ 19,218,047	\$ 7,195,000	\$ 104,630,372	\$ 4,840,957
Bond Premiums	35,427	-	35,427	-	-
WAWSA - Cost Shared Infrastructure	-	5,026,400	46,174	4,980,226	174,926
Compensated Absences	<u>295,212</u>	<u>205,678</u>	<u>177,013</u>	<u>323,877</u>	<u>177,300</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 92,937,964</u>	<u>\$ 24,450,125</u>	<u>\$ 7,453,614</u>	<u>\$ 109,934,475</u>	<u>\$ 5,193,183</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

Outstanding debt at December 31, 2016 (excluding compensated absences) consisted of the following issues:

	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/16	Amounts Due in 2017	
							Principal	Interest
<u>Governmental Activities:</u>								
General Obligation Bonds:								
Airport Revenue Bonds 2004A	2004	3.2-4.5%	2017/19	\$ 1,215,000	\$ 90,000	\$ 300,000	\$ 95,000	\$ 11,244
Airport Revenue Bonds 2004B	2004	2.-4.5%	2017/19	800,000	60,000	195,000	60,000	7,425
					<u>\$ 150,000</u>	<u>\$ 495,000</u>	<u>\$ 155,000</u>	<u>\$ 18,669</u>
Revenue Bond								
Sales Tax	2010	1.0-2.5%	2017/20	1,500,000	\$ 785,000	\$ -	\$ -	\$ -
Sales Tax - 2011 B	2011	.75-3.0%	2017/20	10,000,000	1,195,000	5,615,000	1,225,000	145,048
Sales Tax - Series A	2013	3.0-4.0%	2017/20	42,440,000	5,340,000	26,150,000	5,510,000	948,775
Sales Tax - Series B-1	2013	2.65%	2017/20	5,250,000	995,000	1,435,000	-	64,395
Sales Tax - Series B-2	2013	2.65%	2017/20	750,000	140,000	210,000	-	9,275
Sales Tax - Series A	2015	4.0-5.0%	2017/25	24,530,000	1,795,000	22,735,000	1,870,000	1,012,750
Sales Tax - Series B	2015	3.10%	2017/25	20,000,000	5,940,000	14,060,000	-	551,335
					<u>\$ 16,190,000</u>	<u>\$ 70,205,000</u>	<u>\$ 8,605,000</u>	<u>\$ 2,731,578</u>
Special Assessments:								
	2003	1.5-4.0%	2017/18	695,000	\$ 40,000	\$ 80,000	\$ 40,000	\$ 2,400
	2004	3.1-4.5%	2017/19	830,000	55,000	160,000	55,000	5,894
	2006	3.625-4.0%	2017/22	440,000	30,000	210,000	30,000	7,770
	2006	3.55-4.1%	2017/21	855,000	65,000	225,000	45,000	8,235
	2007	3.6-4.15%	2017/22	1,020,000	75,000	325,000	75,000	11,750
	2009	2.5-4.0%	2017/24	2,580,000	175,000	1,320,000	175,000	45,003
	2010	1.0-4.1%	2017/30	1,900,000	110,000	1,320,000	110,000	42,593
	2010	1.0-3.75%	2017/25	740,000	55,000	455,000	55,000	14,663
	2012	1.0-3.0%	2017/32	5,795,000	320,000	4,525,000	320,000	104,350
	2014	2.0-5.0%	2017/33	4,490,000	255,000	3,985,000	255,000	149,575
	2014	1.0-4.0%	2017/34	15,075,000	800,000	13,825,000	800,000	445,205
	2015	3.0-3.5%	2017/35	9,645,000	370,000	9,275,000	370,000	291,481
	2016	1.0-5.0%	2017/36	20,185,000	-	20,185,000	835,000	680,753
					<u>\$ 2,350,000</u>	<u>\$ 55,890,000</u>	<u>\$ 3,165,000</u>	<u>\$ 1,809,672</u>
<u>Business-Type Activities:</u>								
Revenue Bond								
State Revolving Fund Loan	2014	2.00%	2017/37	\$ 95,585,371	\$ 4,350,000	\$ 91,235,372	\$ 3,355,957	\$ 1,825,707
Landfill	2002	2.8-5%	2017/17	580,000	50,000	50,000	50,000	1,250
Storm Sewer Improvement	2002	2.50%	2017/21	1,080,000	60,000	335,000	65,000	8,375
Water Storage Reservoir System	1999	2.50%	2017/21	3,748,977	215,000	1,170,000	220,000	29,250
Sewer Treatment Plant Improvement	2003	2.50%	2017/22	1,190,559	65,000	425,000	65,000	9,813
Water Treatment	2003	2.50%	2017/23	3,408,344	195,000	1,505,000	200,000	37,625
Water Treatment	2006	2.50%	2017/26	17,593,148	865,000	9,910,000	885,000	247,750
Sales Tax	2009	2.00%	2017/20	2,820,000	1,395,000	-	-	-
					<u>\$ 7,195,000</u>	<u>\$ 104,630,372</u>	<u>\$ 4,840,957</u>	<u>\$ 2,159,770</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

General Obligation Bonds

General obligation bonds are issued to provide funds for the acquisition and construction of major capital items. They are direct obligations and pledge the full faith and credit of the City of Williston. The City has pledged future revenues, net of specified operating expenses, to repay the general obligation airport revenue bonds. Proceeds from the bonds provided financing for the construction of the City's airport terminal. The bonds are payable from revenues and fees and charges collected for use of the Municipal Airport in Williston and property tax revenues and are payable through 2019.

Debt service requirements to maturity on the general obligation bond issues are summarized below:

Year Ending <u>December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 155,000	\$ 18,669
2018	165,000	11,588
2019	<u>175,000</u>	<u>3,938</u>
Total	<u>\$ 495,000</u>	<u>\$ 34,194</u>

Revenue Bonds

Revenue bonds are issued to finance capital improvement projects in which revenue from operations of such improvement projects or revenue is pledged from a designated revenue stream is used to pay the debt service. The City has committed to appropriate each year, the portion of the City's one percent sales and use tax revenues necessary to pay the annual principal and interest requirements on the governmental revenue bonds. Proceeds from the bonds provided financing for the construction of a hangar at the Williston Airport and infrastructure needs of the City. The bonds are payable through 2025.

The City has pledged future revenues, net of specified operating expenses, and a portion of the City's one percent sales and use tax to repay the enterprise revenue bonds. Proceeds from the bonds provided financing for the construction and capital improvements to the City's water treatment plant, sanitary sewer system and landfill site. The bonds are payable from water, sewer and landfill customer net revenues and through a portion of the City's sales and use tax and oil and gas sales tax revenues. The City has committed to appropriate each year, sales and use tax revenues sufficient to cover the principal and interest requirements of the City's sales tax revenue bonds. The City has pledged their oil and gas sales tax revenue each year, sufficient to cover the principal and interest requirements of the City's SRF revenue bonds. The revenue bonds are payable through 2026 and the SRF bonds are payable through 2037.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

Debt service requirements to maturity on the revenue bond issues are summarized below:

Year Ending December 31,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 8,605,000	\$ 2,731,578	\$ 4,840,957	\$ 2,159,770	\$ 13,445,957	\$ 4,891,348
2018	8,910,000	2,420,315	4,913,727	2,054,463	13,823,727	4,474,778
2019	9,225,000	2,107,355	5,035,260	1,948,814	14,260,260	4,056,169
2020	14,610,000	1,731,480	5,165,554	1,840,559	19,775,554	3,572,039
2021	2,185,000	1,246,485	5,290,849	1,729,436	7,475,849	2,975,921
2022-2026	26,670,000	4,002,590	25,748,913	6,999,948	52,418,913	11,002,538
2027-2031	-	-	22,588,749	4,482,309	22,588,749	4,482,309
2032-2036	-	-	25,549,666	2,107,857	25,549,666	2,107,857
2037	-	-	5,496,697	109,934	5,496,696	109,934
Total	<u>\$ 70,205,000</u>	<u>\$ 14,239,803</u>	<u>\$ 104,630,372</u>	<u>\$ 23,433,090</u>	<u>\$ 174,835,371</u>	<u>\$ 37,672,893</u>

Special Assessment

Special assessment debt was generally issued every three years, except annually in recent years, to provide funds for the cost of various improvement districts within the City. Special assessments on benefited property are used to pay for the improvement costs. The City is legally obligated to meet any deficiencies by levying an ad valorem tax.

Debt service requirements to maturity on the special assessment bond issues are summarized below:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2017	\$ 3,165,000	\$ 1,809,671
2018	3,115,000	1,709,356
2019	3,050,000	1,596,241
2020	3,035,000	1,484,706
2021	3,050,000	1,382,523
2022-2026	14,440,000	5,514,414
2027-2031	14,620,000	3,026,998
2032-2036	11,415,000	812,994
Total	<u>\$ 55,890,000</u>	<u>\$ 17,336,902</u>

The City's bond documents include covenants that, in part, impose maintenance of certain reserve requirements and net operating revenues to debt service ratios. The City was in compliance with all financial covenants as of December 31, 2016.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

NOTE 11 CONDUIT DEBT

Municipal Industrial Development Bonds

From time to time, the City has issued Municipal Industrial Development Act (MIDA) Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2016, there were four series of MIDA Bonds outstanding. The aggregate principal amount payable for the series could not be determined; however, their original issue amounts totaled \$56,879,624.

NOTE 12 CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its landfill site when closed and to perform certain maintenance and monitoring functions at the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$547,350 at December 31, 2016, which is based on usage (filled) of the landfill. The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2016. However, the actual cost of closure and postclosure care may be higher due to inflation, changes to technology, or changes in landfill laws and regulations.

In 2016, the City was approved to increase the capacity of current cells one, two, three and four by making the cells higher and the sides steeper. This request was made due to the increased volume entering the landfill cells because of the increased activity in the area; and the cells under construction possibly not being completed before reaching capacity. Currently, collections have decreased from 300 tons to 100 tons per day. With the approval of the vertical change permit and the current reduced collections, the current cells are anticipated to reach capacity in three to five years, depending upon the volume received. The cells under construction are expected to be completed in mid 2017, well in advance of closure of the current cells.

NOTE 13 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the City are required by state law to belong to pension plans administered by the North Dakota Public Employee Retirement System (NDPERS), which is administered on a statewide basis.

Disclosures relating to this plan follow:

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

North Dakota Public Employees' Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

Eligible members, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Main System Plan members are required to contribute 6.12% of their annual covered salary. The City is required to contribute 9.14% of the employees' salary which consists of 7.12% for employee retirement, 1.14% for the retiree health benefits fund, and 0.88% of the member assessments which the City has agreed to pay in lieu of a salary increase. Contribution rates for the Law Enforcement System are established as follows:

Plan	Member Contribution Rate	Employer Contribution Rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	10.31%
National Guard (effective 8/1/2015)*	6.00%	9.81%
Law Enforcement without previous service	5.50%	7.93%

*Effective 1/1/2016, the member contribution rate for the National Guard will be 5.50%

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 25 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City reported a liability of \$12,452,661 for its proportionate share of the net pension liability. The net pension liability consisted of \$11,160,944 to the Main System pension plan and \$1,291,717 to the Law Enforcement pension plan. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of covered payroll in the Main System and Law Enforcement pension plan relative to the covered payroll of all participating Main System and Law Enforcement employers. At July 1, 2016, the City's proportion was 1.1451% which was an increase of 0.2018% for the Main System and 11.2730% which was a decrease of 3.8384% for the Law Enforcement plan.

For the year ended December 31, 2016, the City recognized pension expense of \$1,970,443 for the Main System plan and \$149,002 for the Law Enforcement plan. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the Main System plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 167,661	\$ 103,341
Changes in actuarial assumptions	1,028,897	554,475
Difference between projected and actual investment earnings	1,557,113	-
Changes in proportion	2,164,542	-
Contributions paid to NDPERS subsequent to the measurement date	<u>373,267</u>	<u>-</u>
Total	<u>\$ 5,291,480</u>	<u>\$ 657,816</u>

For the Main System plan, \$373,267 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2017	\$ 866,803
2018	866,803
2019	1,206,482
2020	944,247
2021	376,062

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

For the Law Enforcement Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 453,376	\$ -
Changes in actuarial assumptions	44,817	87,036
Difference between projected and actual investment earnings	238,032	-
Changes in proportion	-	199,061
Contributions paid to NDPERS subsequent to the measurement date	88,890	-
Total	\$ 825,115	\$ 286,097

For the Law Enforcement plan, \$88,890 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2017	\$ 81,909
2018	86,386
2019	129,830
2020	104,816
2021	47,187

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.90%
International Equity	21.00%	7.55%
Private Equity	5.00%	11.30%
Domestic Fixed Income	17.00%	1.52%
International Fixed Inc.	5.00%	0.45%
Global Real Assets	20.00%	5.38%
Cash Equivalents	1.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
City's proportionate share of the Main System NDPERS net pension liability: \$	15,831,584	\$ 11,160,944	\$ 7,225,688

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
City's proportionate share of the Law Enforcement NDPERS net pension liability:	\$ 2,120,265	\$ 1,291,717	\$ 607,938

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTE 14 DEFERRED COMPENSATION PLAN

The City offers its employees a retirement plan under deferred compensation plans created in accordance with Internal Revenue Code Section 457. The main provider of these plans is through Nationwide Retirement Solutions. For those employees who opted not to join North Dakota Public Employees' Retirement Systems (NDPERS) when the City switched to NDPERS in 2004, the City contributes 6% of employee's salaries into the plan. The City's contribution to the plan for the years ended December 31, 2016, 2015, and 2014 were \$34,229, \$32,890, and \$33,993, respectively, equal to the required contributions for the year.

The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

NOTE 15 RISK MANAGEMENT

The City of Williston is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, the state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence for general liability, \$1,000,000 per occurrence for automobile liability coverage and \$5,365,200 for inland marine coverage.

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The Fund currently provides the City with an aggregate coverage limit of \$225,000,000 with specific special limits varying from \$500 to \$500,000.

Commercial insurance is also purchased for steam boiler and airport general liability coverage.

The City of Williston has workers compensation with the North Dakota Workforce Safety and Insurance. The City provides a health insurance plan through Sanford Health for their employees through NDPERS. The City pays 80% of the cost of the plan, and the employee pays 20%.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 16 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2016 is as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Municipal Highway	\$ 11,772,926
General Fund	2016 Refunding	359,357
General Fund	Nonmajor Government	1,117,207
General Fund	Water Fund	1,000,000
Nonmajor Proprietary Funds	Sewer Fund	<u>1,132,242</u>
		<u>\$ 15,381,732</u>

The interfund balance in the Municipal Highway Fund, the 2016 Refunding fund and the nonmajor funds is due to deficit cash balances. The interfund balances in the Water and Sewer Funds were set up to meet debt reserve requirements.

One loan was made from the Equipment Reserve Fund to the General Fund in 2003 for \$360,000 and carries an interest rate of 5 percent. Annual payments of \$25,543 are due through July 31, 2028. The balance at December 31, 2016 is \$226,393.

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2016:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 4,144,178	\$ 14,708,663
Sales Tax Fund	871	12,330,175
Municipal Highway	204,806	5,018,367
Capital Projects Fund	50,342,655	36,341,097
2014B Refunding Bond Fund	8,430,619	-
2016 Refunding Bond Fund	86,364	-
Water Fund	213,030	2,554,960
Sewer Fund	9,295,561	19,218,046
Nonmajor Funds	<u>30,555,167</u>	<u>13,101,943</u>
	<u>\$ 103,273,251</u>	<u>\$ 103,273,251</u>

Transfers are used to: move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

NOTE 17 FUND BALANCE

A. Classifications

At December 31, 2016, a summary of the governmental fund balance classifications are as follows:

	General	Sales Tax	Capital Projects Fund	2014-B Refunding Bond	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:						
Urban and economic development	\$ -	\$ 12,991,649	\$ -	\$ -	\$ 5,540,242	\$ 18,531,891
General government	227,964	-	-	-	197	228,161
Culture and recreation	-	-	-	-	812,176	812,176
Public safety	-	-	-	-	7,389,928	7,389,928
Public works	335,628	-	-	-	-	335,628
Airport	1,032,576	-	-	-	-	1,032,576
Health and welfare	-	-	-	-	521,986	521,986
Capital projects	379,923	-	22,040,785	-	3,469,365	25,890,073
Debt service	-	-	-	13,882,397	11,994,181	25,876,578
Total Restricted	<u>\$ 1,976,091</u>	<u>\$ 12,991,649</u>	<u>\$ 22,040,785</u>	<u>\$ 13,882,397</u>	<u>\$ 29,728,075</u>	<u>\$ 80,618,997</u>

B. Minimum Fund Balance Policy

The City has not formally adopted a fund balance policy.

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS

Western Area Water Supply Authority (WAWSA) was formed to own, finance, construct, and operate the Western Area Water Supply Project. The project is a comprehensive water supply project largely utilizing the Missouri River water treated at the Williston Regional Water Treatment Plant and distributed to meet the municipal, rural and industrial water needs for all or part of McKenzie, Williams, Divide, Burke, and Mountrail counties. The project is financed by a series of loans issued by the State of North Dakota. The City holds two of ten seats on the board of WAWSA.

During 2012, the City entered into the following agreements with WAWSA:

Infrastructure Operating Agreement: Under this agreement, the City will be responsible for all repairs and maintenance of infrastructure owned by WAWSA as identified in the agreement. The City may also make approved capital expenditures with respect to the WAWSA infrastructure in accordance with an approved budget. The City will have the authority and responsibility for the general management and operation of the identified infrastructure, establishing and implementing purchasing and administrative policies, programs and other operational matters. Under the agreement, the City is entitled to reimbursement for costs identified in the agreement and in accordance with an approved budget. WAWSA will bear the risk of loss to the infrastructure. The agreement is in effect until the earlier of: (i) repayment of all WAWSA debt or ii) 99 years after the effective date of the agreement.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

Access and Use Agreement: This agreement sets forth the terms and conditions on which the Member will permit WAWSA to access and use identified infrastructure owned by the City. This includes infrastructure identified under sub-agreements with the cities of Ray, Stanley, and Tioga. The City will be responsible for all repairs and maintenance of the access infrastructure identified in the agreement. The City will have the authority and responsibility for the general management and operation of the identified infrastructure, establishing and implementing purchasing and administrative policies, ensuring compliance with applicable legal requirements, budgeting and accounting procedures, programs and other operational matters. The City retains ownership of the infrastructure unless a purchase option is exercised. As consideration of this agreement, WAWSA will make payments equal to the amount of debt service requirements on the City's water revenue bonds. The City is also entitled to reimbursement for costs identified in the agreement and in accordance with an approved budget. The City bears the risk of loss to the infrastructure. The term of the agreement continues until the earlier of: (i) repayment of all WAWSA debt or ii) 99 years after the effective date of the agreement.

Water Supply Agreement: Under this agreement, the City commits to purchasing water from WAWSA. Subject to a minimum monthly quantity, peak instantaneous flow, and minimum pressure limitation set forth in the agreement, WAWSA agrees to provide, pump, transmit and deliver treated water to the City. The City will pay for the water using an agreed-upon base rate plus supplemental rate as outlined in the agreement, which is subject to change. This agreement is not effective until WAWSA's water supply is connected at identified delivery points. The agreement remains in effect until all of WAWSA's debt is repaid.

Output Agreement: This agreement sets forth the terms and conditions on which the City will sell to WAWSA the entire output of the plant. As consideration for the entire output of the treated water from the plant to WAWSA, WAWSA will make payments equal to the debt service paid by the City during the term, approved operation and maintenance costs, capital expenditure reimbursements, and baseline 2010 industrial water sales revenue.

As part of the above agreements, all industrial water sales will be for the benefit of WAWSA. The City will be reimbursed an amount as outlined in the agreements based on their 2010 industrial water sales revenue. As of January 1, 2016, these payments have been suspended.

During 2016, under the above agreements, the City received \$382,143 for sales of water to Western Area Water Supply Authority along with \$1,400,059 in baseline sales to be reimbursed when funds are sufficient. Other reimbursements from WAWSA included principal debt payment reimbursements of \$1,275,000, interest and administrative fee reimbursements of \$412,613, operations and maintenance reimbursements of \$4,236,918 and capital expenditure reimbursements of \$2,329,900. The City also purchased water from WAWSA for a total of \$2,730,148.

The deferred inflow of resources from WAWSA consists of the following items for the year ended December 31, 2016:

Debt reimbursement receivable as of December 31	\$ 12,691,250
Principal debt payment reimbursements	5,953,750
Accumulated capital expenditure reimbursements	56,717,905
Amortization	<u>(2,154,309)</u>
Deferred inflow of resources from WAWSA	<u>\$ 73,208,596</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

NOTE 19 COST SHARED INFRASTRUCTURE

During the year ended December 31, 2016, the City entered into an agreement with Western Area Water Supply Authority to facilitate the development of water distribution infrastructure within the City's borders. Under the agreement, the City agreed to re-pay a portion of the capital invested in the infrastructure over 20 to 30 years. In exchange, the City has the right to use the infrastructure installed over the period of the loan. As a result, upon entering into the agreement, the City recognized a right of use of \$5,026,400, and an offsetting liability on cost shared infrastructure for the same amount.

The right of use asset recognized under the agreement is being amortized over 20 to 30 years. The amortization expense recognized during the year ended December 31, 2016 was \$167,546. Accumulated amortization and net book value of this asset was \$167,546 and \$4,858,854, respectively, as of December 31, 2016.

The liability on the cost shared infrastructure is being repaid over 20 to 30 years at an interest rate of 1.50%. The liability requires varying monthly payments maturing January 2036 to September 2046. Expected future payments are as follows:

2017	\$	174,926
2018		177,034
2019		181,273
2020		183,024
2021		187,313
2022-2026		979,261
2027-2031		1,068,109
2032-2036		1,024,008
2037-2041		480,022
2042-2046		<u>525,256</u>
Total	\$	<u>4,980,226</u>

NOTE 20 NEW PRONOUNCEMENTS

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

GASB Statement No. 80, *Blending Requirements for Certain Component Units, an Amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2016

relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Management has not yet determined the effect these statements will have on its financial statements.

NOTE 21 SUBSEQUENT EVENTS

No significant events occurred subsequent to the City's year end. Subsequent events have been evaluated through September 27, 2017, which is the date these financial statements were available to be issued.

CITY OF WILLISTON
SCHEDULE OF CITY'S CONTRIBUTIONS TO NDPERS RETIREMENT FUND
LAST TEN YEARS

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
Main System:					
2016	\$ 746,533	\$ 746,533	\$ -	8,176,703	9.13%
2015	952,330	952,330	-	10,434,350	9.13%
Law Enforcement:					
2016	\$ 177,779	\$ 177,779	\$ -	1,623,553	10.95%
2015	297,874	297,874	-	2,719,693	10.95%

The amounts presented for each fiscal year were determined as of the City's year end which is December 31.

The City implemented GASB Statement No. 68 for its year ended December 31, 2015. Information for the prior years is not available.

See Note to the Required Supplementary Information

CITY OF WILLISTON
SCHEDULE OF CITY'S AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS

Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Main System:					
2016	1.1451%	\$ 11,160,944	\$ 11,540,763	103.40%	70.46%
2015	0.9433%	6,414,177	8,403,527	131.01%	77.15%
Law Enforcement:					
2016	11.2730%	\$ 1,291,717	\$ 3,181,919	246.33%	78.73%
2015	15.1115%	918,100	2,079,158	226.46%	83.61%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous year.

The City implemented GASB Statement No. 68 for the year ended December 31, 2015. Information for the prior years is not available.

See Note to the Required Supplementary Information

CITY OF WILLISTON
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2016

NOTE 1. CHANGE OF ASSUMPTIONS – DEFINED BENEFIT PLAN

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Commission
City of Williston
Williston, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund, and the aggregate remaining fund information of the City of Williston as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Williston's basic financial statements and have issued our report thereon dated September 27, 2017 which was qualified as the City has not recorded capital assets and related depreciation for infrastructure contributed to the City from developers for the City's Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Aggregate Remaining Fund Information.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Williston's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we consider the items 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Williston's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Williston's Response to Findings

The City of Williston's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Williston's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 27, 2017



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and
Members of the City Commission
City of Williston
Williston, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Williston's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2016. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 27, 2017

CITY OF WILLISTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Identifying Number	Federal Expenditures(\$)
<u>Department of Housing and Urban Development</u>			
Passed through North Dakota Division of Community Services			
Housing Project	14.228	2013-CD0506-H	\$ 11,533
Legacy at Central Place	14.228	3997-CD15-PF	<u>105,858</u>
Total Department of Housing and Urban Development			<u>117,391</u>
<u>U.S. Department of Justice</u>			
Passed through North Dakota Department of Attorney General			
Missing Children's Assistance	16.543		7,807
Edward Byrne Memorial Justice Assistance	16.738	15208	<u>5,147</u>
Total United States Department of Justice			<u>12,954</u>
<u>U.S. Department of Transportation</u>			
Direct Programs:			
Airport Improvement Program	20.106		7,650,708
Airport Improvement Program	20.106		1,562,430
Airport Improvement Program	20.106		147,315
Airport Improvement Program	20.106		55,775
Airport Improvement Program	20.106		78,803
Airport Improvement Program	20.106		80,910
Airport Improvement Program	20.106		<u>(22,426)</u>
Total CFDA 20.106			<u>9,553,515</u>
Passed through North Dakota Department of Transportation			
Underage Drinking	20.616	HSPID1710-12-14	928
Click it or Ticket	20.616	HSPOP1605-05-22	1,269
Click it or Ticket	20.616	HSPOP1705-05-27	706
Alcohol Enforcement & Impaired Driving	20.616	HSPID1610-05-22	1,832
Alcohol Enforcement & Impaired Driving	20.616	HSPID1610-12-15	<u>1,053</u>
Total Highway Safety Cluster			<u>5,788</u>
Total U.S. Department of Transportation			<u>9,559,303</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through North Dakota Department of Health			
Capitalization Grants for Clean Water			
State Revolving Funds - Clean Water			
State Revolving Fund Cluster	66.458	380820-04	<u>19,218,046</u>
Total U.S. Environmental Protection Agency			<u>19,218,046</u>
<u>U.S. Department of Homeland Security</u>			
Passed through North Dakota Department of Emergency Services			
Homeland Security Grant Program	97.067	A0647-001-2016-RQ	<u>32,854</u>
Total U.S. Department of Homeland Security			<u>32,854</u>
Total Expenditures of Federal Awards			<u>\$ 28,940,548</u>

See Notes to the Schedule of Expenditures of Federal Awards

CITY OF WILLISTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF DECEMBER 31, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The City received federal awards both directly from federal agencies and indirectly through pass-through entities.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Government*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to requirement. The City of Williston has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 SUBRECIPIENTS

During 2016, the City did not pass any federal money to subrecipients.

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2016

2016-001

Criteria

A good system of internal accounting control includes the proper recording of all transactions in accordance with generally accepted accounting principles, proper reconcilments of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Condition

We identified misstatements in the City's financial statements causing us to propose material audit adjustments. The City also has not recorded capital assets and related depreciation for infrastructure contributed to the City from developers.

Cause

There were transactions identified that were not recorded in accordance with generally accepted accounting principles.

Effect

Inadequate internal controls over recording of transactions affect the City's ability to detect misstatements in amounts that could be material in relation to the financial statements. The failure to record contributed capital from developers also resulted in a qualified opinion on the governmental activities, business-type activities, water fund and sewer fund.

Repeat Finding

This is a repeat finding from the immediate previous audit, 2015-001.

Recommendation

We recommend that all general ledger accounts are reconciled in a timely manner and adjustments made for any differences noted. We also recommend the City review the recording of transactions and generally accepted accounting principles applicable to the transactions to ensure transactions are recorded correctly.

Views of Responsible Officials and Planned Corrective Actions

Management will make a greater effort to reconcile and record these transactions. Internal control reviews are taking place in an effort to establish a better process. It should be noted, the City has been dealing with activity volumes uncommon to a city of its size. Management has reached out to developers for information to record contributed infrastructure, however, developers are reluctant to share this information since it could be made available to competitors. The City will consider another approach, such as an estimation of cost.

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2016

2016-002

Criteria

The City does not have the internal resources to prepare the full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Commission. However, the City does not have internal resources to prepare full-disclosure financial statements required by GAAP for external reporting. The City is aware of this material weakness, and obtains our assistance in the preparation of the City's annual financial statements.

Cause

The City does not have the internal resources including the time necessary to handle all aspects of the external financial reporting.

Effect

The City's management is aware of the weakness and addresses it by reviewing and approving completed statements prior to distribution to the end users.

Repeat Finding

This is a repeat finding from the immediate previous audit, 2015-002.

Recommendation

For entities of the City's size, it generally is not practical to obtain the internal resources needed to handle all aspects of the external financial reporting.

Views of Responsible Officials and Planned Corrective Actions

Management will continue to review the possible staff involvement in the process, although unlikely. The City does have qualified staff that could accomplish this, if a way could be found to reassign personnel.

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2016

Section III – Federal Award Findings and Questioned Costs

No findings reported.

CITY OF WILLISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AS OF DECEMBER 31, 2016

2015-001

Criteria

A good system of internal accounting control includes the proper recording of all transactions in accordance with generally accepted accounting principles, proper reconcilments of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Condition

We identified misstatements in the City's financial statements causing us to propose material audit adjustments. The City also has not recorded capital assets and related depreciation for infrastructure contributed to the City from developers.

Cause

There were transactions identified that were not recorded in accordance with generally accepted accounting principles.

Effect

Inadequate internal controls over recording of transactions affect the City's ability to detect misstatements in amounts that could be material in relation to the financial statements. The failure to record contributed capital from developers also resulted in a qualified opinion on the governmental activities, business-type activities, water fund and sewer fund.

Recommendation

We recommend that all general ledger accounts are reconciled in a timely manner and adjustments made for any differences noted. We also recommend the City review the recording of transactions and generally accepted accounting principles applicable to the transactions to ensure transactions are recorded correctly.

2015-002

Criteria

The City does not have the internal resources to prepare the full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Commission. However, the City does not have internal resources to prepare full-disclosure financial statements required by GAAP for external reporting. The City is aware of this material weakness, and obtains our assistance in the preparation of the City's annual financial statements.

Cause

The City does not have the internal resources including the time necessary to handle all aspects of the external financial reporting.

Effect

The City's management is aware of the weakness and addresses it by reviewing and approving completed statements prior to distribution to the end users.

Recommendation

For entities of the City's size, it generally is not practical to obtain the internal resources needed to handle all aspects of the external financial reporting.

CITY OF WILLISTON
CORRECTIVE ACTION PLAN
AS OF DECEMBER 31, 2016

2016-001 FINDING

Contact Person – John Kautzman, City Auditor

Correction Action Plan – Management will make a greater effort to reconcile and record these transactions. Internal control reviews are taking place in an effort to establish a better process.

Completion Date – Ongoing.

2016-002 FINDING

Contact Person – John Kautzman, City Auditor

Correction Action Plan – Management will continue to review the possible staff involvement in the process, although unlikely.

Completion Date – Ongoing.